

**HAMBLLEN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**AUDIT REPORT**

**June 30, 2012 and 2011**

**Hamblen County Emergency Communications District**  
**June 30, 2012**

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## INTRODUCTORY SECTION

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**Hamblen County Emergency Communications District**  
**Roster of Officials**  
**June 30, 2012**

**1**

**Board of Directors:**

Roger Overholt, Chairman

Brad Smith, Vice-Chairman

Richard Clark, Secretary

Bill Brittain, (Ex-Officio)

Chris Bell

Tim Goins

Bill Honeycutt

Esco Jarnagin, Sheriff

Kay Senter

Tony Trent

**Executive Director:**

Jimmy W. Peoples



**Hamblen County Emergency Communications District**  
***S. Eric Carpenter, Director***  
530 North Jackson Street  
Morristown, Tennessee 37814  
(423) 585-2700  
ecarpenter@hamblen911.org

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Hamblen County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statement.

### **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The statement of the net assets includes all the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligation to the District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

### **FINANCIAL ANALYSIS OF THE DISTRICT**

One of the most important questions asked about the District's finances is "Is the District better off or worse off as result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets reports information about the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the district's net assets and changes in them is presented on page 5.

### **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

As can be seen from page 5, (Summarized financial information), the District's net assets have increased approximately \$90,936 during the year ended June 30, 2012. Revenues (Emergency Telephone Surcharge) increased by 6.57%. Total expenses increased approximately 4.1%. The minimal increase in expenditures was due to diligence of the administrative staff and employees being cost conscious.

### **THE DISTRICT'S NET ASSETS**

The District completed the year with net assets of \$2,012,940, which is approximately \$129,730 more than the prior year's ending net assets of \$1,883,210.

### **BUDGETARY HIGHLIGHTS**

The District adopts an annual operating budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year the budget may be amended to prevent budget overruns.

Income from residential phone lines increased during the year by \$54,159 from budgeted income. However, state shared wireless income increased projection by only \$702. Shared wireless charges are still difficult to estimate due to varied reporting times by independent dial tone providers. Interest income deposits were \$41 above expectation as interest rate trend continued to be stagnant.

Total expenditures were \$24,095 less than budgeted with budget categories remaining in line.

### **CAPITAL ASSETS**

The District's investment in capital assets amounts to \$1,529,985 with accumulated depreciation of \$857,573. Capital assets include the building, communications equipment, a vehicle, as well as office furniture and equipment.

### **ECONOMIC FACTORS AND FUTURE NEEDS**

The main economic factor facing the Hamblen County Emergency Communications District is the continued fluctuation in revenue generated from landline, wireless, and VOIP telephones. Many residences continue to cancel residential landline service in favor of cellular and VOIP phones. Only a portion of cell phone revenue is being returned to each 911 District under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline usage and income from shared wireless fees continues to be a problem in estimating revenue for budget preparation. The State Emergency Communications Board, ECB continues contributing to each ECD's operating costs. The amount each District receives is based on the seven (7) population groups. This is a set amount to each group based on the average audited cost ratios of each of the population groups. Hamblen County is covered in the population group ranging from 50,000 to 74,999 according to U. S. Census Bureau population estimates.

The Vesta Pallas phone system addressed last year in this column has been replaced; upgraded to the Patriot Sentinel, which has an automated fail safe feature as well as greatly improved G.U.I. It is capable of IP based calls and is ready for NG911 implementation. This new phone system maintains a total of seven (7) identical positions, five (5) at the main center and two (2) at the EOC.

The plan to finish out all seven (7) dispatch position to an identical state has been completed this year with the installation of new radio consoles.

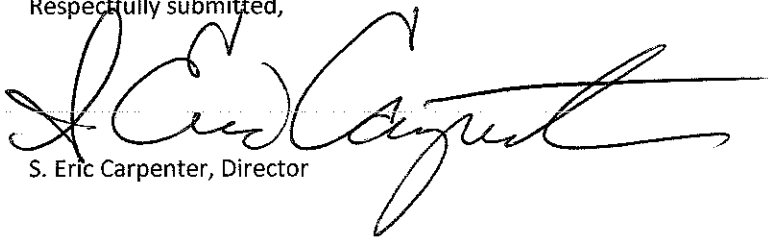
Our search for radio consoles to replace the outdated Orbacom System ended with the purchase of the Avtec Scout system. The Orbacom system was sunsetted five (5) years ago, making replacement parts and service more difficult to obtain. The District's logging recorder was also updated this year. The Exacom recorder, which stored recorded data on double-sided DVDs (approx. 20-25 days per disc), was replaced with an Equature logger which stores the data digitally. This allows for a much greater ease of accessibility and allows for recordings to be made available in a .wav format.

We are now dispatching the Morristown Police Department by closest unit, which is an asset to the MPD for accreditation purposes, as well as aiding in decreased response times versus the previous zone method. Our CAD vendor, Global Software, will be updating our software from v.12 to v.14 by the end of 2012, requiring a move to a SQL based server.

The District, in cooperation with Hamblen County Government, the City of Morristown, and Morristown Utility Systems, has jointly budgeted to address overall mapping concerns regarding discrepancies in address points, street centerlines, etc. over the coming year. This necessary and needed 'fix' will become critical as the District moves forward in joining the State's NG911 network.

Another important part of dispatch is our continued relationship with the Morristown Fire Department and their need to meet I.S.O. and NFPA standards. This continues on a daily basis as we strive to provide everything possible to assist the MFD in maintaining their excellent rating.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "S. Eric Carpenter", written over a horizontal line.

S. Eric Carpenter, Director

**SUMMARIZED FINANCIAL INFORMATION**  
**NET ASSETS**

	2012	2011	2010
Current Assets	1,384,179	1,553,913	1,393,247
Capital Assets	<u>672,412</u>	<u>368,091</u>	<u>408,706</u>
Total Assets	2,056,591	1,922,004	1,801,953
Current Liabilities	19,205	17,283	18,300
Long Term Debt, Liabilities	<u>24,446</u>	<u>21,511</u>	<u>20,293</u>
Total Liabilities	43,651	38,794	38,593
Net Assets	2,012,940	1,922,004	1,763,359
Unrestricted Net Assets	1,340,528	1,515,119	1,382,270

**CHANGES IN NET ASSETS**

Revenues (Em.Tel. Surchg.)	856,406	800,055	809,705
Operating Expenses	<u>1,097,041</u>	<u>1,052,546</u>	<u>983,346</u>
Operating Income	(240,635)	(252,492)	(173,640)
Non-operating revenues (expenses)			
Interest Income	1,791	1,842	6,910
Contributions from primary government	328,714	340,500	315,501
State ECB, Grants & Reimbursements	39,860	30,000	10,000
Interest Expense	- 0 -	- 0 -	- 0 -
Total	370,365	372,342	332,411
Net Income (loss)	129,730	119,850	158,770
Net assets, beginning of year	1,883,210	1,763,360	1,604,589
Net assets, end of year	2,012,940	1,883,210	1,763,359

## FINANCIAL SECTION

# CRAINE, THOMPSON, & JONES, P.C.

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## **CERTIFIED PUBLIC ACCOUNTANTS**

225 WEST FIRST NORTH STREET

P.O. BOX 1779

SUITE 300, MILLENNIUM SQUARE

MORRISTOWN, TENNESSEE 37816-1779

423-586-7650

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Hamblen County Emergency Communications District  
Morristown, Tennessee 37814

We have audited the accompanying financial statements of Hamblen County Emergency Communications District, a component unit of Hamblen County, Tennessee, as of June 30, 2012 and 2011, and for the years then ended as listed in the table of contents. These financial statements are the responsibility of Hamblen County Emergency Communications District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hamblen County Emergency Communications District of Hamblen County, Tennessee, as of June 30, 2012 and 2011, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2012, on our consideration of Hamblen County Emergency Communications District's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* and should be considered in assessing the results of our audit.

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JAMES W. CRAINE, CPA  
GLENN B. THOMPSON, CPA, CFP, PFS  
MIRA J. CRAINE, CPA

THOMAS M. JONES, CPA  
HIRAM H. JONES, CPA  
TERRY M. WINSTEAD, CPA

## Board of Directors

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements. The schedules listed in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules listed in the table of contents are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Craine Thompson + Jones, P.C.*

October 24, 2012

**Hamblen County Emergency Communications District**  
**Balance Sheet**  
**June 30, 2012 and 2011**

<b><u>Assets</u></b>	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
Current assets:		
Cash and cash equivalents	\$ 1,332,339	\$ 1,497,979
Accounts receivable	24,447	28,541
Due from Primary Government	27,393	27,393
Total current assets	1,384,179	1,553,913
Fixed assets:		
Building & improvements	351,320	351,320
Communications equipment	983,331	620,633
Office equipment	3,547	1,393
Furniture and fixtures	168,981	166,566
Vehicles	22,806	22,806
Sub-total	1,529,985	1,162,718
Less - allowance for depreciation	(857,573)	(794,627)
Fixed assets - net	672,412	368,091
<b>Total assets</b>	<b>\$ 2,056,591</b>	<b>\$ 1,922,004</b>
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable	\$ 7,489	\$ 6,821
Accrued liabilities	1,457	-
Retirement contributions	2,111	3,291
Compensated absences payable	8,148	7,171
Total current liabilities	19,205	17,283
Long-term liabilities:		
Compensated absences payable	24,446	21,511
Net assets:		
Invested in capital assets	672,412	368,091
Unrestricted	1,340,528	1,515,119
Total net assets	2,012,940	1,883,210
<b>Total liabilities and net assets</b>	<b>\$ 2,056,591</b>	<b>\$ 1,922,004</b>

The accompanying notes are an integral part of these financial statements.

**Hamblen County Emergency Communications District**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2012 and 2011**

	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
Operating revenues:		
Emergency telephone service charge	\$ 519,485	\$ 457,524
State emergency communications board-shared wireless charge	146,702	151,715
Other income-Operational Funding Distribution	188,875	188,855
Miscellaneous income	1,344	1,960
Total operating revenue	<u>856,406</u>	<u>800,054</u>
Operating expenses:		
Salaries and wages	607,675	606,942
Employee benefits	216,901	200,204
Contracted services	149,002	134,155
Supplies and materials	41,750	41,793
Other charges	18,767	17,869
Depreciation	62,946	51,583
Total operating expenses	<u>1,097,041</u>	<u>1,052,546</u>
Net operating income (loss)	<u>(240,635)</u>	<u>(252,492)</u>
Non-operating revenues (expenses)		
Interest income	1,791	1,842
Contributions from primary government	328,714	340,500
State Emergency Communications Board - grants & reimbursements	39,860	30,000
Total non-operating revenues (expenses)	<u>370,365</u>	<u>372,342</u>
Net income	129,730	119,850
Net assets, beginning of year	<u>1,883,210</u>	<u>1,763,360</u>
Net assets, end of year	<u>\$ 2,012,940</u>	<u>\$ 1,883,210</u>

The accompanying notes are an integral part of these financial statements.

**Hamblen County Emergency Communications District**  
**Statement of Cash Flows**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**For the Years Ended June 30, 2012 and 2011**

	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
Cash flows from operating activities:		
Received from customers	\$ 670,281	\$ 595,449
Payments to suppliers	(208,851)	(193,598)
Payments to employees	(820,387)	(807,165)
Other receipts (payments)	190,219	190,815
Net cash provided (used) by operating activities	(168,738)	(214,499)
Cash flows from capital and related financing activities:		
Additions to fixed assets	(367,267)	(10,967)
Net cash provided (used) by capital and related financing activities	(367,267)	(10,967)
Cash flows from noncapital financing activities:		
Contributions from primary government	328,714	340,500
Grant from State Emergency Communications Board	39,860	30,000
Net cash provided (used) by noncapital financing activities	368,574	370,500
Cash from investing activities:		
Interest on investments	1,791	1,842
Net cash from investing activities	1,791	1,842
Net increase (decrease) in cash and cash equivalents	(165,640)	146,876
Cash and cash equivalents at beginning of year	1,497,979	1,351,103
Cash and cash equivalents at end of year	<u>\$ 1,332,339</u>	<u>\$ 1,497,979</u>

The accompanying notes are an integral part of these financial statements.

**Hamblen County Emergency Communications District**  
**Statement of Cash Flows**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**For the Years Ended June 30, 2012 and 2011**

	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Net operating income (loss)	\$ (240,635)	\$ (252,492)
Depreciation	62,946	51,583
Changes in operating assets and liabilities:		
(Increase) or decrease in accounts receivable	4,093	(13,791)
Increase or (decrease) in accounts payable	668	218
Increase or (decrease) in retirement contributions	277	(1,642)
Increase or (decrease) in estimated compensated absences	3,913	1,625
Net cash provided (used) by operating activities	<u>\$ (168,738)</u>	<u>\$ (214,499)</u>

The accompanying notes are an integral part of these financial statements.

**NOTE 1 - NATURE OF THE ORGANIZATION**

The District was established by the County for the purpose of enhancing "911" and selective routing services under T.C.A. 7-86-101 through 7-86-117 "Emergency Communications District Law." The District is a component unit of Hamblen County, Tennessee. It is managed by an eleven member Board of Directors appointed by the Hamblen County Commission for terms of four years. The District is fiscally dependent upon the County as it must obtain County Commission approval before the issuance of most debt and the County Commission has the ability to adjust the District's service charges.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Basis of accounting – accrual.  
Revenue is recognized when earned and expenses are recorded when incurred.
- B. Fund type - proprietary.
- C. For purposes of the statement of cash flows, the District considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.
- D. Fixed assets and depreciation:
  - 1) Fixed assets are recorded at cost. Buildings are depreciated over 31.5 years, furniture and equipment over 7 years, and communications equipment over 5 years.
  - 2) Fixed assets consist of:

<b>June 30, 2012</b>	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Net Fixed Assets</u></b>
Fixed Assets					
Building	\$ 351,320	\$ -	\$ 351,320	\$ 107,480	\$ 243,840
Communications equipment	620,633	362,698	983,331	562,928	420,403
Furniture and fixtures	166,566	2,415	168,981	165,268	3,713
Office equipment	1,393	2,154	3,547	1,752	1,795
Automobile	22,806	-	22,806	20,145	2,661
Total	<u>\$1,162,718</u>	<u>\$ 367,267</u>	<u>\$ 1,529,985</u>	<u>\$ 857,573</u>	<u>\$ 672,412</u>

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. Fixed assets and depreciation (continued):

3) Fixed assets consist of:

<b>June 30, 2011</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Ending Balance</b>	<b>Accumulated Depreciation</b>	<b>Net Fixed Assets</b>
Fixed Assets					
Building	\$ 351,320	\$ -	\$ 351,320	\$ 98,494	\$ 252,826
Communications equipment	609,666	10,967	620,633	514,689	105,944
Furniture and fixtures	166,566	-	166,566	164,626	1,940
Office equipment	1,393	-	1,393	1,234	159
Automobile	22,806	-	22,806	15,584	7,222
Total	<u>\$1,151,751</u>	<u>\$ 10,967</u>	<u>\$ 1,162,718</u>	<u>\$ 794,627</u>	<u>\$ 368,091</u>

4) The straight-line method of depreciation is used, totaling \$62,946 for 2012 and \$51,583 for 2011. Accumulated depreciation was \$857,573 as of June 30, 2012, and \$794,627 as of June 30, 2011.

- E. The District has chosen not to follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989. The district follows Governmental Accounting Standards Board guidance after November 30, 1989.
- F. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. The useful lives of the fixed assets of the District are such estimates.

**NOTE 3 - DEPOSITS**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2012 and June 30, 2011, the District had no exposure to custodial credit risk as its deposits were either insured by the FDIC or collateralized with securities held by the State of Tennessee Bank Collateral Pool.

**NOTE 4 – CONTRIBUTIONS FROM PRIMARY GOVERNMENT**

When the District was formed, the City of Morristown and Hamblen County, Tennessee, each verbally agreed to fund the salaries and benefits of four dispatchers as the District has absorbed these employees. The District bills the two entities monthly for these expenses.

**NOTE 5 - CONCENTRATION OF CREDIT RISK**

Hamblen County Emergency Communications District was established for the purpose of enhancing "911" and selective routing services in Hamblen County. All fees are collected through either Bell South/AT&T who bills every telephone customer in Hamblen County or the State Department of Commerce and Insurance of Tennessee who remits ECB wireless revenue monthly.

**NOTE 6 - COMPENSATED ABSENCES**

**A. Annual leave:**

Annual leave cannot be accumulated over 28 days or 224 hours.

Upon termination, employees are reimbursed for their accumulated annual leave. As of June 30, 2012 and 2011, this liability is \$32,594 and \$28,682, respectively, of which \$8,148 and \$7,171 is estimated to be current.

**B. Sick leave:**

Sick leave is accumulated at the rate of one day per month without limit. Sick leave may be used to allow an employee early retirement on a day for day basis.

**NOTE 7 - PENSION PLAN INFORMATION**

**Plan Description**

Employees of Hamblen County Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system on or after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hamblen County Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

**NOTE 7 - PENSION PLAN INFORMATION (continued)**

**Plan Description (continued)**

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

**Funding Policy**

Hamblen County Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

Hamblen County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012 and 2011, was 7.27% and 7.27%, respectively, of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hamblen County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the years ending June 30, 2012 and 2011, Hamblen County Emergency Communications District's annual pension cost of \$39,238 and \$41,760, respectively, to TCRS was equal to Hamblen County Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Hamblen County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 11 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**NOTE 7 - PENSION PLAN INFORMATION (continued)**

**TREND INFORMATION**

<b>Fiscal Year</b>	<b>Annual</b>	<b>Percentage</b>	<b>Net</b>
<b>Ending</b>	<b>Pension</b>	<b>of APC</b>	<b>Pension</b>
	<b>Cost (APC)</b>	<b>Contributed</b>	<b>Obligation</b>
June 30, 2012	\$ 39,238	100.00%	\$0.00
June 30, 2011	\$ 41,760	100.00%	\$0.00
June 30, 2010	\$ 42,508	100.00%	\$0.00
June 30, 2009	\$ 41,670	100.00%	\$0.00
June 30, 2008	\$ 37,268	100.00%	\$0.00

**Schedule of Funding Progress for Hamblen County Emergency Communications District, 88540**  
(Dollar amounts in thousands)

<b>Actuarial</b>	<b>Actuarial</b>	<b>Actuarial</b>	<b>Unfunded</b>	<b>Funded</b>	<b>Covered</b>	<b>UAAL as a</b>
<b>Valuation</b>	<b>Value of</b>	<b>Accrued</b>	<b>AAL</b>	<b>Ratio</b>	<b>Payroll</b>	<b>Percentage</b>
<b>Date</b>	<b>Assets</b>	<b>Liability</b>	<b>(UAAL)</b>			<b>of Covered</b>
		<b>(AAL)</b>				<b>Payroll</b>
	<b>(a)</b>	<b>(b)</b>	<b>(b)-(a)</b>	<b>(a/b)</b>	<b>(c)</b>	<b>(b-a)/(c)</b>
July 1, 2011	\$ 1,071	\$ 1,119	\$ 49	95.71%	\$ 556	8.63%
July 1, 2009	745	835	89	89.22%	536	16.79%
July 1, 2007	606	706	100	85.84%	422	23.70%
July 1, 2005	435	543	108	80.16%	349	30.92%
July 1, 2003	326	442	116	73.76%	292	39.73%
July 1, 2001	249	362	113	68.78%	241	46.89%

**NOTE 8 - RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District is insured through Strate Insurance Group as an ancillary to Hamblen County's insurance. There were no actual or potential claims against the District according to the County Attorney; therefore, no provision has been made. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

**NOTE 9 – BUDGETARY INFORMATION**

The District must file a budget annually with Hamblen County. The budget is prepared on the accrual basis of accounting. The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* has established the legal level of control, which is the level at which management loses the ability to reapply budgeted resources from one use to another without special approval, at the line-item level.

## **SUPPLEMENTAL INFORMATION**

**Hamblen County Emergency Communications District**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance - Actual and Budget**  
**Year Ended June 30, 2012**

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	Actual	Budget	Variance Fav. (Unfav.)
Operating revenues:			
Emergency telephone service charge	\$ 519,485	\$ 465,326	\$ 54,159
State emergency communications board-shared wireless charge	146,702	146,000	702
Other - Operational Funding Distribution	188,875	188,855	20
Miscellaneous income	1,344	1,300	44
Total operating revenues	856,406	801,481	54,925
Operating expenses:			
Director	44,609	44,627	18
Administrative personnel	74,076	81,130	7,054
Dispatchers	446,475	446,816	341
Part-time personnel	38,602	38,650	48
Social Security	35,709	36,910	1,201
Medicare	8,351	8,632	281
Life insurance	2,087	2,120	33
Medical insurance	116,682	123,672	6,990
Dental insurance	11,081	11,665	584
Disability insurance	1,616	1,700	84
Retirement contributions	40,954	41,960	1,006
Compensated Absences	3,912	4,000	88
Other fringe benefits	420	465	45
Audit services	5,220	5,400	180
Administrative fees - services charges	891	950	60
Legal services	1,023	1,050	27
Mapping / Data	4,225	6,000	1,775
NCIC/TBI/TIES expenses	2,680	2,680	-
Other Consultants	1,050	2,000	950
Pest control	288	320	32
Lease/Rental - communications equipment	89,725	89,800	75
Maintenance and repairs - communications equipment	28,317	28,500	183
Maintenance and repairs - building and facilities	3,828	3,900	72
Maintenance and repairs - vehicles	1,046	1,100	54
Fuel - Vehicle	2,630	2,900	270
Other contracted services	8,079	8,100	21
Office supplies	2,767	2,800	33
Custodial supplies	1,118	1,200	82
Postage	294	400	106
Utilities - electric	12,283	12,300	17
Utilities - gas	849	1,600	751
Utilities - general telephone	18,877	19,000	123
Utilities - cell phones & pagers	1,068	1,100	32
Other supplies and materials	2,139	2,200	61
Board meeting expenses	376	400	24
Dues and memberships	754	900	146
Employee testing & exams	537	600	63
Insurance - workers compensation	2,542	2,905	363
Insurance - liability	3,550	3,550	-
Insurance - building & contents	1,535	1,935	400
Insurance - vehicles	886	914	28
Premium on surety bonds	1,684	1,684	-
Training expenses	4,060	4,100	40
Travel expenses	2,842	3,000	158
General Telephone E.O.C	2,355	2,500	145
Depreciation	62,946	63,000	54
Total operating expenses	1,097,040	1,121,135	24,095
Net operating income	(240,634)	(319,654)	79,020
Non-operating revenues (expenses):			
Interest income	1,791	1,750	41
Contributions from other governments & agencies	328,714	328,714	(0)
State Emergency Communications Board - Grants and Reimbursements	39,860	14,250	25,610
Total non-operating revenues (expenses)	370,365	344,714	25,650
Net income	\$ 129,731	\$ 25,060	\$ 104,670

**Hamblen County Emergency Communications District**  
**Schedule of Detailed Expenses**  
**June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
Salaries and wages:		
Director	\$ 44,609	\$ 77,328
Administrative personnel	77,988	37,691
Dispatchers	446,475	471,783
Part-time personnel	38,603	20,142
Total salaries and wages	<u>\$ 607,675</u>	<u>\$ 606,944</u>
Employee benefits:		
Social security	\$ 35,709	\$ 35,754
Medicare	8,351	8,362
Life insurance	2,087	1,870
Medical insurance	116,682	103,718
Dental insurance	11,081	10,822
Disability insurance	1,616	1,545
Other Fringe Benefits	420	2,333
Retirement contributions	40,954	37,724
Total employee benefits	<u>\$ 216,901</u>	<u>\$ 202,128</u>
Contracted services:		
Audit services	\$ 5,220	\$ 5,260
Administrative fees - service charges	891	683
Legal services	1,023	366
Mapping / Data	4,225	5,128
NCIC/TBI/TIES expenses	2,680	2,680
Other Consultants	1,050	2,500
Pest control	288	288
Lease/rental - communications equipment	89,725	103,128
Maintenance and repairs - communications equipment	28,317	2,508
Maintenance and repairs - buildings and facilities	3,828	2,563
Maintenance and repairs - vehicles	1,046	908
Fuel Vehicle	2,630	2,471
Other contracted services	8,079	5,673
Total contracted services	<u>\$ 149,002</u>	<u>\$ 134,155</u>

**Hamblen County Emergency Communications District**  
**Schedule of Detailed Expenses**  
**June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Supplies and materials:		
Office supplies	\$ 2,767	\$ 4,180
Custodial supplies	1,118	1,384
Postage	294	244
Utilities - electric	12,283	11,332
Utilities - gas	849	1,243
Utilities - general telephone	21,233	18,910
Utilities - cell phones & pagers	1,068	1,553
Other supplies and materials	2,139	2,948
Total supplies and materials	<u>\$ 41,750</u>	<u>\$ 41,795</u>
Other charges:		
Board meeting expenses	\$ 376	\$ 535
Dues and memberships	754	716
Employee testing and exams	537	492
Insurance - workers compensation	2,542	1,862
Insurance - liability	3,550	3,050
Insurance - buildings and contents	1,535	1,476
Insurance - vehicles	886	914
Premiums on surety bonds	1,684	1,012
Training expenses	4,060	3,841
Travel expenses	2,842	3,971
Total other charges	<u>\$ 18,767</u>	<u>\$ 17,869</u>
Depreciation expense	<u>\$ 62,946</u>	<u>\$ 51,583</u>

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

# CRAINE, THOMPSON, & JONES, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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P.O. Box 1779

SUITE 300, MILLENNIUM SQUARE

MORRISTOWN, TENNESSEE 37816-1779

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### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Hamblen County Emergency Communications District  
Morristown, Tennessee

We have audited the financial statements of Hamblen County Emergency Communications District, a component unit of Hamblen County, Tennessee, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Hamblen County Emergency Communications District's basic financial statements and have issued our report thereon dated October 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### ***Internal Control Over Financial Reporting***

Management of Hamblen County Emergency Communications District's is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hamblen County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamblen County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hamblen County Emergency Communications District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

JAMES W. CRAINE, CPA  
GLENN B. THOMPSON, CPA, CFP, PFS  
MIRA J. CRAINE, CPA

THOMAS M. JONES, CPA  
HIRAM H. JONES, CPA  
TERRY M. WINSTEAD, CPA

## **Board of Directors**

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Hamblen County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Directors, and the State of Tennessee and awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Craine Thompson & Jones, P.C.*

October 24, 2012